

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 00509 101631Z

43

ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 XMB-02 SS-15 OIC-02 IO-10 COME-00

TRSE-00 AID-05 OES-03 FEAE-00 SP-02 CIEP-01 CIAE-00

INR-07 NSAE-00 RSC-01 L-02 /067 W

----- 121170

R 101415Z JAN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6238

LIMITED OFFICIAL USE NEW DELHI 509

E.O. 11652: N/A

TAGS: USINJC, EGEN

TAGS US

SUBJECT: AGENDA FOR ECONOMIC/COMMERCIAL SUBCOMMISSION MEETING

REF: STATE 004029, NEW DELHI 0411

1. STATE'S 4029 ASKED FOR EMBASSY CONTRIBUTIONS ON "INTERNAL GOI PRICING POLICY" AND "FOREIGN EXCHANGE REGULATION ACTS".

2. INTERNAL GOI PRICING POLICY HAS BEEN AN IMPORTANT DOMESTIC ISSUE IN THE PAST DUE TO GOI APPLICATION OF PRICE CEILINGS ON A WIDE VARIETY OF PRODUCTS SUCH AS CEMENT, AUTOMOBILES, PETROLEUM PRODUCTS, PHARMACEUTICALS AND FERTILIZERS. SINCE IN MANY CASES PRICES WERE SET AT UNREMUNERATIVE LEVELS, FIRMS WERE FORCED TO CURTAIL PRODUCTION, OPERATE AT A LOSS OR SELL PART OF THEIR PRODUCTS ON THE BLACK MARKET. A NUMBER OF US FIRMS WERE AFFECTED BY THIS POLICY.

3. THIS SITUATION HAS EASED SOMEWHAT IN THE LAST FEW MONTHS AS GOI POLICY HAS SHIFTED TO ENCOURAGE PRODUCTION. MANY PRICE CEILINGS HAVE BEEN EITHER INCREASED OR TOTALLY REMOVED. WHILE MORE REMAINS TO BE DONE, WE KNOW OF NO US FIRM WHICH IS PRESENTLY IN SERIOUS DIFFICULTIES DUE TO INDIA'S PRICING POLICY. CALTEX IS PERHAPS THE ONE EXCEPTION TO THIS THOUGH

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 00509 101631Z

PRICE INCREASES SOME MONTHS AGO HAVE REDUCED THE PRESSURE ON

THIS FIRM.

4. WE RECOMMEND THAT THE US SIDE OF THE SUBCOMMISSION MEETING NOT PUT TOO STRONG EMPHASIS ON THIS ISSUE. PRICING POLICIES HAVE NEVER BEEN IN ANY WAY DISCRIMINATORY AGAINST FOREIGN FIRMS BUT REFLECT GBM EFFORTS AT "SOCIAL JUSTICE". WHILE THE RESULTS HAVE OFTEN BEEN ECONOMIC DISASTERS WE SEE NO ADVANTAGE IN ATTACKING THIS ISSUE HEAD ON. WE WOULD PREFER PERHAPS TO NOTE THAT THE GOI APPEAR TO BE RELAXING IT SPRICING POLICIES AND TO EXPRESS THE HOPE THAT THIS TREND WILL CONTINUE. WE MIGHT ALSO ADD THAT REALISTIC PRICING POLICIES ARE NECESSARY IN ORDER TO ATTRACT NEW INVESTMENT.

5. WE ARE POUCHING (NEA/INS: MORLEY) AND EMBASSY BRIEFING PAPER COVERING VARIOUS ASPECTS OF THE INDUSTRIAL LICENSING PROCESS, INCLUDING EQUITY PROVISIONS OF THE NEW FOREIGN EXCHANGE REGULATIONS ACT (FERA), GUIDELINES FOR INVESTORS AND A DESCRIPTION OF THE NEW LICENSE APPROVAL PROCESS. THE REVISED FERA HAS BEEN IN EFFECT FOR ONE YEAR. DURING THAT TIME TWO SETS OF PROBLEM CASE HAVE EMERGED: ONE DEALING WITH COMPANIES WHICH WILL BE REQUIRED TO DILUTE THEIR CURRENT EQUITY HOLDINGS IN ORDER TO CONFORM WITH THE ACT, AND THE OTHER DEALING WITH NEW INVESTMENT APPLICATIONS UNDER THE REVISED GUIDELINES AND EQUITY LIMITATIONS. THE GOI APPEARS TO BE IMPLEMENTING THE NEW LEGISLATION ON A SELECTIVE BASIS, EXERCISING CONSIDERABLE FLEXIBILITY IN NEGOTIATIONS WITH SOME FIRMS, FOLLOWING THE GUIDELINES STRICTLY IN THE CAUV OF OTHERS, AND DEVISING NEW, MORE RESTRICTIVE CONDITIONS IN ITS DEALINGS WITH CERTAIN OTHER FIRMS. FOR EXAMPLE, THOSE AMERICAN FIRMS WHICH HAVE CHOSEN LARGE INDIAN INDUSTRIAL HOUSES AS PARTNERS HAVE HAD GREATER DIFFICULTY IN OBTAINING APPROVAL OF LICENSE APPLICATIONS THAN THE GOVERNMENT GUIDELINES WOULD INDICATE (SEE THE ANIL STARCH CASE, NEW DELHI 103). THIS APPROACH IS HAVING A NEGATIVE EFFECT ON EXISTING AND POTENTIAL INVESTMENT. LANDE WILL BRING WITH HIM A BRIEFING PAPER ON THE PROBLEM CASES IN THE TWO AREAS OF EQUITY DILUTION AND NEW LICENSE APPLICATIONS.

6. WE BELIEVE IT WOULD BE USEFUL FOR US SIDE TO POINT OUT THAT FUTURE INVESTORS WILL LOOK AT GOI TREATMENT OF EXISTING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 00509 101631Z

INVESTMENT IN MAKING THEIR OWN DECISIONS. WE MIGHT WISH TO PROBE AS TO REPORTED INDIAN WILLINGNESS TO BE VERY FLEXIBLE ON FIRMS PRODUCING SOLELY FOR EXPORT.

7. THE DEPARTMENT MIGHT WISH TO ASK BURROUGHS AND 3M ABOUT THE CURRENT STATUS OF THEIR INVESTMENT PROPOSALS IN ELECTRONIC EQUIPMENT AND MICA PRODUCTION.

SCHNEIDER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NEWDE00509
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750011-0047
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750162/aaaaccfv.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 004029, 75 NEW DELHI 0411
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 04 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 AUG 2003 by ShawDG>; APPROVED <20 OCT 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AGENDA FOR ECONOMIC/COMMERCIAL SUBCOMMISSION MEETING
TAGS: EGEN, IN, US, USINJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006